

The Yerkes Bill



ANSWER

of

THE CHICAGO COMMITTEE OF ONE HUNDRED.



“Give Us Something.”

*F. H. Winston, speaking for Street Railroad Managers before House
Judiciary Committee, May 19, 1897.*



* * * “The next step should be to bring the extension of the franchises before the proper civic authorities, where, if they appear with clean hands, offering the municipality adequate compensation, the companies will receive just treatment.”

“We are * * * eager to meet the street railway companies half way, certain to be honest with them, willing to give them all they are justly entitled to.”

“Not a street railway official has come to me and asked that I should call into counsel the rulers of the people and formulate a plan by which the companies and taxpayers might get together.”—*Mayor Harrison, representing Chicago.*





To the Honorable, the Members of the General Assembly of the State of Illinois.

GENTLEMEN: When the Humphrey Bills met deserved defeat in the House of Representatives on May 12, 1897, we may safely assume that the objectionable features embodied in those measures were apparent to the members who voted against them. Public sentiment sustained the action of the House which, indeed, only reflected the views and wishes of the people. Time need not be spent, therefore, in mere repetition of the arguments already advanced. It is true that Mr. Yerkes did not hesitate to severely criticise the action of the House and the members who voted to upset his plans. It is true that he did not hesitate to congratulate the members who voted in his favor. It is true that he says that he did not intend to do another thing or to lift his hand after the defeat of the Humphrey Bills. "But I was prevailed upon," he says, "*by people connected with our railroad companies,* * * * to come down here and make another effort. I have also been talked to with regard to modified bills, and while I do not believe in modifying anything in these Humphrey Bills so-called, yet I am willing to accept some modifications. At the same time I believe it is a mistake to modify them in any manner."

We do not for one moment believe that this statement of his opinion by Mr. Yerkes will be decisive with the members of the House as to what ought to be done. On the contrary, we believe that the members of the Legislature will rather side with the people and consider their rights and interests.

A just conclusion must therefore be based upon the facts, and in order to ascertain what the Yerkes Bill contains we invite your attention to the following comparison.

The humbug pretense formerly insisted upon that the street railroad bills did not come from the street railroads and their managers has now been smoked out and definitely abandoned. Mr. Yerkes himself produces the present bill, which betrays a most striking resemblance so the discredited Humphrey Bills.

YERKES BILL.

SECTION 1. Existing street railroad companies shall have all the additional powers conferred by this act.

SEC. 2. Such corporations may exercise power of eminent domain to take any property required for roads, depots, power houses, etc., subject to restrictions in section 9 below, which prohibits taking street railroad property.

SEC. 3. Constitutional requirement of consent by corporate authorities re-enacted for new grants: also requires strict compliance with all provisions of law, or to be void.

SEC. 4. New licenses may be granted for not to exceed fifty years, and rate of fare fixed at not to exceed five cents per ride.

SEC. 5. Ordinances of existing corporations extended thirty-five years from first Tuesday of September, 1897, they to charge 5 cents for twenty years *for distances specified in ordinances hereby so extended*; for remaining fifteen years, fare to be fixed by corporate authorities.

Payments to city in counties of 100,000 or less, one per cent.; 100,000 to 200,000, two per

HUMPHREY BILLS.

NO. 258, SECTION 1. Substantially identical.

Id. SEC. 2 and 3. Substantially identical with provision inserted permitting carriage of packages.

Id. SEC. 4. Substantially identical.

Id. SEC. 6. Substantially identical.

Id. SEC. 7. Substantially identical, except provision inserted that all powers and privileges granted to street railroad corporations shall be held contracts: also except extension is for fifty years with 5 cent fare, and compensation is three per cent. for fifteen years, five per cent. for twenty years and seven per cent. for fifteen years in counties of third class.

cent. ; 200,000 and over, three per cent. for fifteen years, five per cent for ten years and seven per cent. for ten years on gross receipts for previous year. Where road extends into two or more municipalities, payments to be divided *pro rata* as per *mileage* in each. Existing *compensation* to corporate authorities shall continue to be paid, *but shall be credited on said percentages.*

Every existing company desiring to avail itself of such extension shall on or before the first Tuesday of August, 1897, file notice with Secretary of State and corporate authorities, and make payment of percentage to officer designated at time named in Act.

Terms of act extended to roads not constructed.

SEC. 6. Any motive power except steam locomotives permitted.

SEC. 7. Tracks to be laid in center of street, etc.

SEC. 8. Applications for new lines to be made to local officials named, whose report on necessity etc., of such lines is made condition precedent to grant. Ordinance to be sold at auction, etc.

Ordinances to extend existing lines not to be certified as to nec-

Id. SEC. 8. Substantially identical.

Id. SEC. 9. Substantially identical.

No. 148, SEC. 7. Seventh paragraph contains provisions for application, report, auction, etc., substantially identical, except that such application was to be made to the proposed state commission.

essity nor sold at auction; compensation to be fixed by ordinance.

SEC. 9. No corporation shall enter upon, appropriate or use whole or any part of property or tracks of another street railroad corporation, except to cross the same, without its consent.

SEC. 10. Such corporations may purchase, or contract for use of, tracks or property of each other. They may consolidate stock, property and franchises, unless parallel or competing. Previous contracts of this character legalized.

SEC. 11. Repeals Horse and Dummy Railroad Act, etc.

No. 258, SEC. 10. Substantially identical.

Id. SEC. 11. Substantially identical.

Id. SEC. 12. Substantially identical.

It will thus be seen that while the State Commission has been eliminated the present bill contains an equally vicious interference with local self-government, for it attempts to extend ordinances granted by the City of Chicago and other municipalities by an act of the Legislature. To obviate the constitutional objection, it is sought indirectly to obtain the consent of the corporate authorities by their receipt of the proposed compensation. In event of their refusal to accept the bribe and barter away the rights of the city, then it will doubtless be claimed by the street railroads that by their written acceptance and offer to pay, the extensions have already become fixed so that they cannot be interfered with.

WHO FAVOR THE BILL?

Most of the men who went to Springfield with Mr. Yerkes are known to have personal interests which he can influence; or to be directly connected with the interests which he seeks to promote at

the expense of Chicago. Not one of them comes forward to help secure for the people fair and honest treatment at the hands of the street railroads. They do not represent the opinion of the public in Chicago nor of Illinois. They assume to say that there has been a great change of opinion on the street railroad bills. Where is the proof of their assertions? No such proof exists because no such facts exist. The only corroboration offered is by Mr. Yerkes, who states that "gentlemen who voted against the striking out of the enacting clause of these (Humphrey) bills * * * have been taken by the hand and congratulated" by certain diaphanous and elusive persons whose identity is not revealed. These congratulatory "men in buckram" will hardly satisfy the Legislature of the soundness of these claims.

WHAT IS FAIR TREATMENT?

Fair treatment, they insist, requires that a measure of protection should now be given to the capital already invested, which was secured in the belief that extensions of time on substantially the same basis could be had when the present terms granted by ordinances expire.

Mr. Yerkes says: "The expectation has always been to have those ordinances extended, to have the time extended. If it had not been for that, capital would not have gone into them to the extent that it has." He further says: "When a man goes into an investment, particularly if it is some new venture, * * * he will not only calculate to get his money back, but he will calculate to double his money."

We all know that the capital necessary to change the motive power employed by the great Chicago companies was not only forthcoming in abundant measure so that those improvements have been completed and paid for, but good returns have been secured upon the investment. Capital is not now needed for new enterprises. No speculative feature is now involved. Capital to buy the street railroads of Chicago can be had in any amount required to cover their actual value at from three per cent. to five per cent. per annum. The investment on that basis would be as certain as government

bonds or first class mortgage securities. Why, then, should the public be expected to donate enough to enable the holders of the railway securities to "double their stock and halve their dividends," as Mr. Yerkes says. Those who expect to double their money should look elsewhere for investment.

The only fair claim is the purely equitable one of repayment to the owners of the actual value of their properties, and there should be no doubt about this. No one disputes it, and no one attacks it. The City of Chicago has no desire to deal unjustly with these companies, but more than this would be a donation of public property for private gain. Compare the circumstances with those of a ground lease with a provision for payment of the actual value of the improvements belonging to the tenant at the end of the term. Can they now justly complain if the full value of their investment is repaid?

THEY OUGHT TO APPLY TO THE CITY AUTHORITIES.

No disposition to take advantage of the railroads has been shown anywhere. The utterances of the Mayor of Chicago have been eminently wise and fair. In all probability they will become the new lessees themselves. Why do they not make application to the city council which cannot compel them to anything at this time? Should all fair proposals be rejected it would then be time enough to apply to the Legislature.

The only possible reasons for haste cannot arise out of any considerations affecting the prosperity of the street railroad business. That, as we have seen, is in a highly prosperous condition. Large dividends are regularly earned and paid on stock much in excess of the value of their property; and their net earnings, as well as their receipts, are rapidly increasing. Why, then, does this extremely urgent demand arise now? We must seek for the reasons actuating those who urge hasty action elsewhere.

Possibly private and personal interests may be involved to a greater degree than has been disclosed. Possibly these promoters may have deemed it less burdensome to deal by the wholesale, through the medium of general laws, than with the individual cases

of each railroad with each different municipality. Possibly the movement is speculative in character with a view to test each of several Legislatures concurrently with even a greater number of city councils and thus to obtain the most possible from the public.

NO HASTY LEGISLATION REQUIRED.

Mr. Yerkes assumes, and to some extent seems to have created the impression, that there is just now a serious crisis in the Chicago street railway situation. Speaking before the Judiciary Committee of the House on May 19th, he admits that "twenty-year ordinances for the old horse car lines might look like a proper thing," but argues that the investments now required are so heavy that "charters ought to be made permanent," and that the proposed legislation is immediately necessary to induce capital to seek investment, not only in Chicago but in the State of Illinois, and thus relieve the present financial depression.

We have heard various explanations of the continued financial depression, but believe that it has not before been attributed to the inability of the Chicago council to grant franchises to Mr. Yerkes extending beyond twenty years. In fact, this explanation is new to Mr. Yerkes himself. As late as January last, at the annual meeting of the stockholders of the West Division Street Railroad Company, he said: "When I talk to my friends in regard to their business for last year, they generally tell me that they made practically nothing. When I compare what is being done in other lines of business, with the results we have obtained, I feel pretty well satisfied. * * * As we are now going it looks as though we would make more money than we did last year." Mr. Yerkes on the same day further said: "I think the present dividend (North Chicago 12 per cent.; net earning, 15.07 per cent.) can be maintained for a good while, if not increased. I do not know but it would be a good plan to double the capital stock and halve the dividends." It thus appears that, in a time of general financial depression, these properties are prosperous to a high degree. Yet Mr. Yerkes and the interested "*people connected with our railroad companies*," who it seems induced him again to appeal to the Legis-

lature, and whose inordinate greed he so fitly represents, have the colossal impudence to call upon those who represent Illinois, to “*give us something, * * * that the reputation of our city may be rehabilitated; and that prosperity may again dawn upon us.*”

THE REAL SITUATION.

The claim that immediate legislation is needed to induce the investment of fresh capital in these roads is not borne out by the facts. Speaking before the Judiciary Committee of the House, of the present situation, Mr. Yerkes says: “Instead of having this light track, instead of horses and horse cars, we put in a cable road which cost \$130,000 for a double track mile; we put in an electric line which cost \$50,000 per double track mile; we put in machinery at one station alone which cost us \$600,000. * * * We have spent in the last twelve years \$19,000,000. What for? To improve our roads, to extend them, to change the motive power.”

All this was done under existing legislation and upon twenty year ordinances. The investment is made and the improvements paid for. Securities representing the new capital invested, and others which are the sole surviving evidences of construction and equipment long since consigned to the scrap heap and still others which never evidenced anything but dividends expected, are outstanding in the hands of holders who regularly receive on them liberal interest and extraordinary dividends.

The holders of the securities of these roads no doubt invested with the expectation that they will receive renewals of their ordinances, as Mr. Yerkes says. But has there been any serious threat to refuse such renewals? Have the companies even made any application to the proper and legal authorities to secure such renewals? It will be time enough to talk about anarchy and confiscation when the City of Chicago has refused these corporations fair treatment in the matter of the renewal of their ordinances. Until he has asked for terms and been refused just treatment by the City of Chicago, at whose hands he has received such princely gifts, it ill becomes Mr. Yerkes to assail her fair name by talk of anarchy and confiscation.

THE FACTS MUST BE DISCLOSED.

The only legitimate plan upon which compensation can justly be paid by the companies to the public is one of profit-sharing. No matter what the payment purports to be based upon, unless there is a net profit under skillful and honest management no payment at all should be made to the public which receives its benefit from the use of an improved highway for the transportation of passengers. This shows how impossible it is to make any fair adjustment by general law for the facts and circumstances surrounding each individual company and its business must be known before any fair arrangement can be made with it.

We are told that only a few of the street railroads earn any dividends at all. This is undoubtedly true. Does this furnish any argument against the payment of reasonable compensation by those roads which do earn enormous profits? Their position is as ridiculous and absurd, when they attempt to evade the payment of fair compensation, as would be that of a giant who objected to the burden imposed upon him because it was too heavy for the strength of a boy. What difference does it make to such companies whether other companies earn profits or not? No general law, such as is proposed, can be just and fair to the different street railroad companies and the public.

Judge, then, how important it is that a full investigation of the street railroad situation should precede action of any kind. This takes time and sufficient time for it should be given.

The complete reconstruction and rapid extension of the Chicago street railroads within the last dozen years, *under existing law and upon twenty year ordinances*, show that capital is available and even anxious for such investments. There is no emergency requiring the General Assembly to enact any hasty legislation whatever at the close of its session in behalf and on the sole invitation of these corporations. Renewals of their ordinances can be had for the asking on terms far more liberal to them than the circumstances demand. Though these corporations are commonly believed to have again and again corrupted her officials and filched her imperial resources, Chi-

cago is not seeking revenge but is still willing to treat them not only fairly but generously. There is ample time before their present ordinances expire to consider whether any legislation is desirable to enable the local authorities to grant longer renewals than for twenty years. Such legislation should be enacted, if at all, only after Chicago has been fully heard and every precaution taken to protect her rights. There is a conclusive presumption against any measure which is sought to be rushed through at this time upon the initiative of these corporations alone.

THE COMPENSATION IS INADEQUATE.

The rate of compensation provided to be paid to the corporate authorities is ridiculously inadequate. It is no more nor less than a free gift of millions upon millions of dollars to the street car companies, most of which would be absorbed by their managers and manipulators. It is not the public nor even the investing public which would benefit by this munificent gift, but the few insiders who manage the deal.

STOCK JOBBING.

The consolidation feature in Section 10 deserves a word of condemnation. We live in an era of stock speculation by the managers and manipulators of corporate interests quite unexampled in the world's history. This abuse has grown to be a great public evil. Not alone those who seek to gamble on the market in stocks but every interest which touches investment in corporate securities becomes the prey of these bold and unscrupulous operators.

The Chicago street railway securities, and more particularly those of the West Division Railroad, furnish as complete and startling an illustration of this hurtful manipulation and speculation as can be found anywhere. Conditions became such, after the recent issues of securities by that company had been sprung on the market, that all investors sought to close out their holdings and even the very stock broker dared not hold them over night. Who was and is responsible for this state of affairs? The very same persons who are back of this attempt to spread the shield of the law over their past illegal operations and who now seek from the Legislature additional

grants of power to enable them in the future to increase and multiply similar stock jobbing operations. A law to prohibit speculation in the stock of their own companies by officers and managers of corporations is much more needed to insure stability of financial interests and honesty towards stockholders and the public than is one to legalize and extend the field of speculations of this character.

SHAMELESS EFFRONTERY.

The Gas Trust and the Whiskey Trust and now the proposed Street Railroad Trust by their nefarious schemes and plots, carried out in the stock market, often in bold and brazen defiance of the law, are what have given and will give to Chicago and Illinois securities whatever of bad repute they may have at home or abroad. Do you wish to aid these schemers and plotters? You are now asked to do so, in apparent seriousness, by these same men who have wrought so much confusion and destruction in the past. You are asked to do this as rebuke to anarchy and as a means to rehabilitate the reputation and credit of Chicago and Illinois. Words fail us with which fitly to characterize such monumental effrontery.

Mr. Yerkes modestly assumes to be the only person who understands the wants and requirements of the street railroads. He says: "I can safely say there has not been a single man, even of my own people, who fully understood those bills and also the relation of the street railroads to them." He even goes further and criticises the the different public officials, presumably including members of the Legislature, who opposed his will.

Says Mr. Yerkes, "But it appears that the street railroad business and the legislation required in regard to it are almost beyond people's understanding? And if this is the case how foolish it is for people in authority to undertake to criticise where they know nothing about the subject that they are criticising."

Considered in the light of his experience with all the phases above presented and in view of the desires and expectations which he may indulge with reference to his proposed street railroad trust along similar lines, he may believe that he alone realizes the full possibilities of the situation.

It does not follow, however, that it is desirable or even safe to pass the Yerkes bill at his dictation. It is certainly much safer for the public if legislation be deferred rather than hastily to swallow his artful concoctions, which seem so difficult for others to understand, in the hurry and confusion incident to the closing days of a long and fatiguing session.

THE ALLEN AND LITTLER BILLS.

There seems to be a flock or whole family of these allied street railroad bills. They are all open to the objection, however, that no legislation at all is demanded by public interests at this time. Moreover, these bills are all alike in providing substantially nothing for the people and they all propose, in differing degrees, to benefit the street railroads at the public expense. The only safe course to pursue toward them all is to defeat them.

If either of the bills which has been introduced should be passed it would perpetuate the use of the overhead trolley wires which are a constant and increasing menace to property and to human life. This is especially true in thickly settled districts from which they ought to be excluded and in which they should be superseded by improved methods.

"GIVE US SOMETHING."

We resent the aspersions cast upon the fair fame of Chicago by these men who have fattened upon her bounty and who now greedily strive for yet more munificent donations from the public. "Give us something" they say "and bring back prosperity." "Give us something and rehabilitate Chicago and Illinois." "Give!" cried the horse leech's daughter, and "Give!" and "Give!" They desire to help Chicago and Illinois by receiving something as a gift which shall be so alluring and attractive that idle capital will be eager to invest in it. Who would benefit by this? Would it be the general public or these vociferous gentlemen? The rehabilitation they so eagerly seek can be certainly and speedily promoted by them. Let them abandon purely selfish considerations for the moment. Let them cease their attempts to corrupt public servants.

Let them deal fairly and openly with the public and Chicago will emerge from the crisis which they have produced and which now so seriously threatens her prosperity.

We respectfully submit that all these bills should be rejected by the legislature and consigned to obloquy, leaving the entire subject to be dealt with individually and separately by the different municipalities.

JOSIAH L. LOMBARD,

Chairman of Committee of One Hundred.

EDWIN BURRITT SMITH,

NEWTON A. PARTRIDGE,

Special Committee.

